



## **Guidance on Supply Licensee Governance Arrangements – Consultation**

**Submission by 24<sup>th</sup> April 2025**

### **1. Do you agree that Ofgem should introduce guidance under SLC 4A setting out its expectations for governance arrangements?**

We recognise the requirement for adequate and appropriate governance arrangements for energy suppliers and that, therefore, guidance can be helpful. However, the appropriate governance arrangements are wider in range than those reflected in the draft guidance. For very small suppliers, particularly those with bespoke commercial agreements with large non-domestic customers, or customers within the same company group, even the examples provided in the guidance relating to small suppliers may be inappropriate.

### **2. Do you agree that the guidance under SLCA 4A should cover the effectiveness of the board, transparency of governance arrangements, and example scenarios?**

As noted in our response to question 1, it is important that the guidance recognises that different business models may have different requirements as to what governance arrangements are appropriate. For a supplier with a small number of large customers with bespoke commercial arrangements where licenced supply is a minor part of their business, or the customers are affiliates of the supplier, the transparency of the governance arrangements will be of little importance and the board ‘effectiveness’ in relation to that supply may be of limited relevance.

Therefore, the guidance should be clearer that it is the appropriateness of governance arrangements that is key and that the examples provided are only relevant to the extent that they are appropriate to a particular supplier and its business model.

### **3. Do you have any comments on the guidance drafting itself?**

The drafting should be clearer that the suggestions provided in the examples may not be appropriate for the smallest non-domestic suppliers. Ideally we would suggest that limits are inserted in the guidance, similar to those applied to the requirement for Consolidated Segmental Statements particularly in relation to non-domestic suppliers. Thus, we suggest that the guidance should state that for non-domestic suppliers with fewer than 10 meter points (not including supply to affiliates) the examples may not be



appropriate and they may apply different criteria to ensure that they are compliant with the licence conditions.

**4. Do you agree we should amend the guidance for milestone assessments to include governance arrangements?**

We agree with the amendments to the milestone assessment guidance.

**5. Do you have any comments on the proposed drafting?**

We do not have any comments on the drafting of this section.

**6. Have we identified the key impacts, risks and benefits of the proposals, and are there any impacts we should give further consideration to?**

The guidance as drafted may be interpreted as placing unnecessary expectations on some suppliers, for example very small non-domestic suppliers or those supplying predominantly to affiliates of the supplier.

**7. Do you agree that overall these proposals would be benefit consumers?**

We agree that broadly guidance on governance may be of benefit to consumers. However, as drafted, the guidance may be read as placing unnecessary expectations on some suppliers whose business models are materially different from most other suppliers.